

Message Text

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INFO OCT-01 NEA-11 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13 NSAE-00
ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 OMB-01
SS-15 AF-10 L-03 OES-07 PA-01 /137 W
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R 191818Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0509
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY PARIS

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PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EAID, EFIN, EG
SUBJ: CAIRO PRESS COVERAGE OF CG MEETING

REF: (A) PARIS 19401, (B) PARIS 19398

1. SUMMARY: IN COUNTERPOINT TO MORE CAUTIOUS OPTIMISM
REFLECTED REFTELS, EGYPTIAN PRESS HERALDED PARIS CG
MEETING AS MAJOR VICTORY FOR GOE ECONOMIC AND POLITICAL
POLICY, NOTING THAT DONORS AGREED TO MEET ALL EGYPTIAN
FOREIGN EXCHANGE REQUIREMENTS IN 1978. END SUMMARY.

2. OFFICIAL IBRD STATEMENT AT END OF CG MEETING JUNE 16
STIMULATED ARTICLES IN ALL CAIRO DAILIES JUNE 17 ON SUC-
CESS OF CONSULTATIVE GROUP MEETING. HEADLINES PRO-
CLAIMED DONOR DECISION TO MEET GOE 1978 FOREIGN EXCHANGE
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REQUIREMENTS AS PRINCIPAL RESULT OF SESSION AND QUOTED
IBRD VICE PRESIDENT BENJENK AS SAYING 1978 ASSISTANCE WILL
REMAIN AT 1977 LEVEL.

3. ON SPECIFICS OF GOE ECONOMIC POLICY, HAMED EL SAYEH
REPORTEDLY CITED GOE'S EFFECTIVE UTILIZATION OF GULF
ASSISTANCE DURING 1977 TO REDUCE SHORT-TERM DEBT.

MINECON'S PRESENTATION POINTED OUT THAT ELIMINATION OF DAY-TO-DAY LIQUIDITY PROBLEMS HAD ENABLED GOE ECONOMIC LEADERSHIP TO FOCUS ON SETTING DEVELOPMENT PRIORITIES. IN CAUTIONARY STATEMENT EL SAYEH COMMENTED, ACCORDING SOURCE, THAT MEDIUM- AND LONG-TERM EXTERNAL DEBT LEVEL IS STILL HIGH (EL SAYEH USED \$12 BILLION FIGURE ALSO CITED BY FORMER DEPRIMIN KAISOUNI IN 1977) AND GOE WILL HAVE TO CONTINUE TO RETIRE DEBT TO ASSURE FUTURE DONOR SUPPORT. EL SAYEH ALSO TERMED INFLATION AS MAJOR INTERNAL ISSUE BUT NEVERTHELESS CHARACTERIZED 77 FIGURE OF 25 PER CENT AS "DECLINE" FROM HIGHER, UNSPECIFIED LEVEL. GOE GOAL, ACCORDING NEWSPAPER REPORTS, IS TO REDUCE INFLATION RATE TO 10 PER CENT ANNUALLY IN COURSE OF NEXT THREE YEARS.

4. MINPLAN ABDEL MEGUID REPORTEDLY UNDERScored GOE'S FIVE-YEAR PLANNING EFFORT AS EXAMPLE OF PROGRESS ON DETERMINING PRIORITIES, NOTING GOVERNMENT WILL CONTINUE TO REVISE AND UPDATE MULTI-YEAR PLAN ANNUALLY. PLAN IS FURTHER HAILED AS ON-GOING ATTEMPT TO OPTIMIZE RESOURCE ALLOCATION WITH VIEW TOWARD ATTAINING DEVELOPMENT OBJECTIVES MOST EFFICIENTLY. PRESS NOTES GOE PROJECTS 10.5 PER CENT ANNUAL GROWTH RATE BY 1982, IF PRESENT GOALS FOR INVESTMENT ARE ACHIEVED.

5. CG IN GENERAL, ACCORDING PRESS ACCOUNTS, PAID TRIBUTE TO EGYPT'S DEBT MANAGEMENT IN 1977 WITH EMPHASIS ON LIMITED OFFICIAL USE

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EGYPT'S ATTAINMENT OF 8.3 PER CENT GROWTH RATE FOR LAST YEAR. FIVE YEAR DEVELOPMENT PLAN REPORTEDLY ALSO COMPLIMENTED AS MAJOR EFFORT TO SET DEVELOPMENT PRIORITIES. RECENT GOE/IMF "AGREEMENT IN PRINCIPLE" WAS HERALDED AS FURTHER VERIFICATION OF RENEWED INTERNATIONAL CONFIDENCE IN EGYPTIAN ECONOMY. PAPERS ALSO MENTIONED SUCCESS OF OPEN-DOOR POLICY AS REFLECTED IN PRIVATE INVESTMENT POINTING TO DEPUTY CHAIRMAN OF INVESTMENT AUTHORITY EL NAZER'S PRESENTATION WHICH MENTIONS 145 NEW INVESTMENT PROJECTS REPRESENTING A CAPITAL INFLOW OF \$1.5 BILLION. EL NAZER AND MINECON EL SAYEH BOTH REITERATED GOE INTEREST IN ENCOURAGING PRIVATE SECTOR DEVELOPMENT AND COMMITTED GOVERNMENT TO FURTHER STUDY OF NEW METHODS OF PROVIDING ADDITIONAL SUPPORT FOR SMALL-SCALE PRIVATE INDUSTRY.

6. REPORTAGE OF JUNE 17 WAS FOLLOWED BY SUBSEQUENT EDITORIALS JUNE 18 IN ALL MAJOR ARABIC DAILIES SPOTLIGHTING EGYPT'S ECONOMIC IMPROVEMENT IN 1977-78, CLAIMING RESULTS CG MEETING AS ONE ADDITIONAL INDICATOR OF INTERNATIONAL CONFIDENCE IN SOUNDNESS OF GOE ECONOMIC POLICY. EDITORIAL WRITERS FURTHER LINKED DONOR SUPPORT TO SADAT'S

PEACE INITIATIVE COMMENTING THAT CONTINUED DONOR INTEREST IS RECOGNITION OF PRESIDENT SADAT'S EFFORTS AND IMPLICIT ACCEPTANCE OF SADAT'S CONTENTION THAT PEACE AND EGYPT'S FUTURE ECONOMIC DEVELOPMENT ARE INEXTRICABLY LINKED. ONLY AL AKHBAR MENTIONED CG CONCERN OVER POPULATION GROWTH RATE AND PAPER STRESSED POPULAR RECURRING THEME THAT POPULATION GROWTH IS PRINCIPAL DETERRENT TO ECONOMIC PROSPERITY. ON BALANCE EDITORIALS REFLECT PRESS SUPPORT FOR GOE ECONOMIC GROUP EFFORT.

7. COMMENT: PRESS APPARENTLY TOOK SUBSTANCE OF IBRD RELEASE AND PLAYED IT IN MOST FAVORABLE LIGHT, ATTRIBUTING

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EL SAYEH'S AND MEGUID'S STATEMENTS (REF B) ON ECONOMIC GROWTH, REFORM AND PLANNING TO CG AS WHOLE THEREBY HIGHLIGHTING BEST ASPECTS OF PRESENT GOE POLICY. EMBASSY NOTES, HOWEVER, REPORTED 25 PER CENT INFLATION RATE IS HIGHEST FIGURE OFFICIALLY CITED AND MAY PARTIALLY REFLECT GOE ACCEPTANCE OF HARD ECONOMIC REALITY. ACCOUNTS OMIT SPECIFIC REFERENCE TO 1978 CODE CONTRIBUTION BUT STRESS TOTAL ASSISTANCE WILL REMAIN AT 1977 LEVEL. DESPITE SOMEWHAT WORRISOME ASPECT OF CODE UNWILLINGNESS TO SET FIGURE FOR FURTHER ASSISTANCE, CG MEETING, AS PLAYED IN PRESS, APPEARS TO HAVE LIFTED GOE SPIRITS FOR MOMENT AND NOT INSIGNIFICANTLY REAFFIRMED OTHER DONOR SUPPORT FOR

GOE EFFORTS ON ECONOMIC DEVELOPMENT AND REFORM. EILTS

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